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SAP White Paper
mySAP Customer Relationship Management

THE CHALLENGE TO ACHIEVE PERFECT ORDER MANAGEMENT

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EXECUTIVE SUMMARY

In today’s business climate, order management is crucial to corporate success as the demand for perfection increases and flexibility and tolerance for errors decreases. The global quest for the perfect order is underway.

Superior order management can be a competitive edge across the board, improving customer satisfaction and retention as well as your bottom line and top line. What does it take to achieve superior order management performance? To move ever closer to order perfection and a truly happy customer base, you must **cost-effectively** eliminate virtually all the issues and errors that can stymie on-time, accurate order fulfillment. This involves every process including planning and forecasting, acquiring and creating accurate orders and contracts, handling order changes, and resolving fulfillment and postdelivery problems. In fact, it is not uncommon that the average order management process can cross 10 departments and 10 systems in an organization.

Subsequently, the solution is to initially make your order management strategy, processes, and IT systems customer-centric – not product-centric. Making all this customer-centric essentially means you evaluate your customers’ needs and wants, what you can provide, and the areas you can cost-effectively change to improve your performance and retain and grow your customer base. This evaluation requires that you get everyone involved to collaborate.

Superior end-to-end order management performance requires seamless integration among all relevant processes throughout the enterprise: sales and marketing, manufacturing, logistics, and finance. In many industries today, creating a successful, customer-centric order management process also involves collaboration and process integration with customers, distributors, and suppliers including contract manufacturers, transportation carriers, and distribution centers.

Business Priorities	Order Management Enablers
Drive Revenue	Customize product offers based on customer demographics
	Manage the business from a customer-centric perspective
	Up-sell and cross-sell at the point of sale
	Identify and substitute products in out-of-stock situations
Attain Operational Excellence	Coordinate internal resources to efficiently deliver quotes, contracts, and orders and allow flexibility for easy updates
	Provide consistent communications across interaction channels
	Prepare clear and accurate invoices
	Schedule shipments across partners and facilities
Manage Profitable Growth	Ensure inventory/capacity is available to meet customer demand
	Price agreements based on customer and product profitability
	Proactively manage customer expectations regarding order status
	Quickly and efficiently address customer issues and complaints

Figure 1: Order Management is Critical to Companies Today

Technologically, achieving superior order management performance requires integration across the applications embedded in solutions for customer relationship management (CRM), enterprise resource planning (ERP), and supply chain management (SCM). The challenges are to create an adaptive and flexible order management process built to:

- Eliminate disconnects (manual handoffs, redundant data entry) that lead to delays and errors through integration and process redesign and improvement
- Create “single records” or “single versions of the truth” about your customers, orders, and products via centralized enterprise databases
- Empower personnel with real-time information, analytics, and automatic workflow relevant to their responsibilities
- Adapt to changing requirements and new functionalities by enabling changes to portions of the order management process without impacting other functions
- Achieve a lower total cost of ownership through the ability to seamlessly integrate legacy systems into CRM, SCM, and ERP solutions

The path toward the perfect order equates to taking customer-centric steps toward end-to-end order management, which requires operational excellence, cross-enterprise integration of processes and IT, and accessible enterprise intelligence about customers, products, services, and orders.

THE EVER-CHANGING WORLD

Many climate changes throughout the business world have major implications for order management and the overall tolerance for mistakes:

- Commoditization and the need to differentiate through service and customization
- Push-driven manufacturing, lean six sigma, and the ability to increase customer service and lower costs and prices
- Scattered processes and locations among global contract manufacturers and transportation carriers
- Increasing usage of the Internet and corporate intranets as tools to more tightly link partners, suppliers, and customers

As manufacturers have moved toward a hybrid of push- and pull-driven manufacturing, they have implemented practices to reduce inventory gluts throughout the supply chain. As a result, the manufacturing plant is becoming the de facto buffer for correctly filling customer orders on time, which magnifies the impact of production errors.

Consolidation of the major, “big-box” retailers has created tremendous competition. To ensure higher profit margins and a larger share of consumers’ wallets, these retailers are pulling more and more of their suppliers (and their respective suppliers) into the planning process and transmitting point-of-sale data to them to trigger automatic replenishment. Responding to retailer demands, consumer goods manufacturers have begun to put radio frequency identification tags on all their cases and pallets to enable tracking from shipment to the store shelves.

Automotive companies, facing endless upheaval, are pushing more and more manufacturing out to their parts and equipment suppliers and shifting their own focus toward better understanding their markets and how to better meet customer needs.

Chemicals and plastics companies are finding that getting infinitely closer to the future customer and end user — who may be a few sales away — is critical if they are to shift from commodities to products and product/service packages that differentiate themselves in the market.

While business customers demand more of their suppliers, consumers leverage the Internet to comparison shop. They have also discovered online product configuring, rapid order entry, payment and delivery, and automatic replenishment. Ironically, customer loyalty has become both more attainable and more fragile than ever.

All of these changes have exposed the soft underbelly of the IT infrastructure in many companies. How often have you read or talked about the corporate IT landscape challenged by disparate and aging systems, different databases lacking standard definitions, and sluggish, error-filled manual processes that prevent excellence? Order management personnel and processes and the affected customer have suffered from the effects of fragmented systems.

In an ideal customer-centric world, successful order management is an end-to-end process that knows no boundaries. The “front-office” and “back-office” systems are no longer giant individual silos but are melded into an essentially all-knowing, single seamless system with comprehensive, real-time reporting capabilities. Sales, marketing, service, manufacturing, logistics, and finance personnel are all empowered to serve the customer.

END-TO-END MANAGEMENT AS ENTERPRISE STRATEGY

End-to-end process management drives total enterprise improvement and minimizes finger-pointing, foot-dragging, and interdepartmental politics. If you, as a manager, focus on the end-to-end management of any major process, such as order management, you are compelled to understand three scenarios:

- How other processes affect your performance
- How your own subprocesses impact your performance
- How your process impacts others

The mere effort of planning for end-to-end management teaches personnel what it's like to walk in each other's shoes. The planning also makes them aware of how all the potential failures across the enterprise can affect the endgame of gaining and retaining customers and improving financial performance.

The order process can fail at innumerable points in the enterprise order management processes. (See Figure 2.) Order management today can get a bad start when forecasts are far from actual demand, when the orders themselves are inaccurate, and when orders are not prioritized properly. Order management problems will be exacerbated if supply chain disruptions delay deliveries, sales and customer service are not notified, delivery dates are missed, customers can't access order status or reach sales, and they do not receive information from the interaction center. The subsequent negative responses from customers and sales forces often cause executive management to hike inventory buffers that lower profits.

THE PROCESSES AND PAIN POINTS

Before the Order

Order management begins with planning and forecasting in addition to the host of capabilities and strategies that must be in place and ready to handle inquiries and orders. These steps include demand forecasting, pricing, product/service databases and configuring, order costing, customer history and profiles, available and capable to promise, quotation, and contractual processes.

Avoiding Sales Planning and Analysis Land Mines

The delta between forecasted and actual demand has perhaps the greatest impact on performance across the enterprise. An accurate demand forecast leads to better fulfillment, which drives your perfect order rate. Forecasting, however, depends on people and information. In many enterprises, there is plenty of internecine warfare and not enough information. Achieving ultimate order management success means to avoid these land mines along the way:

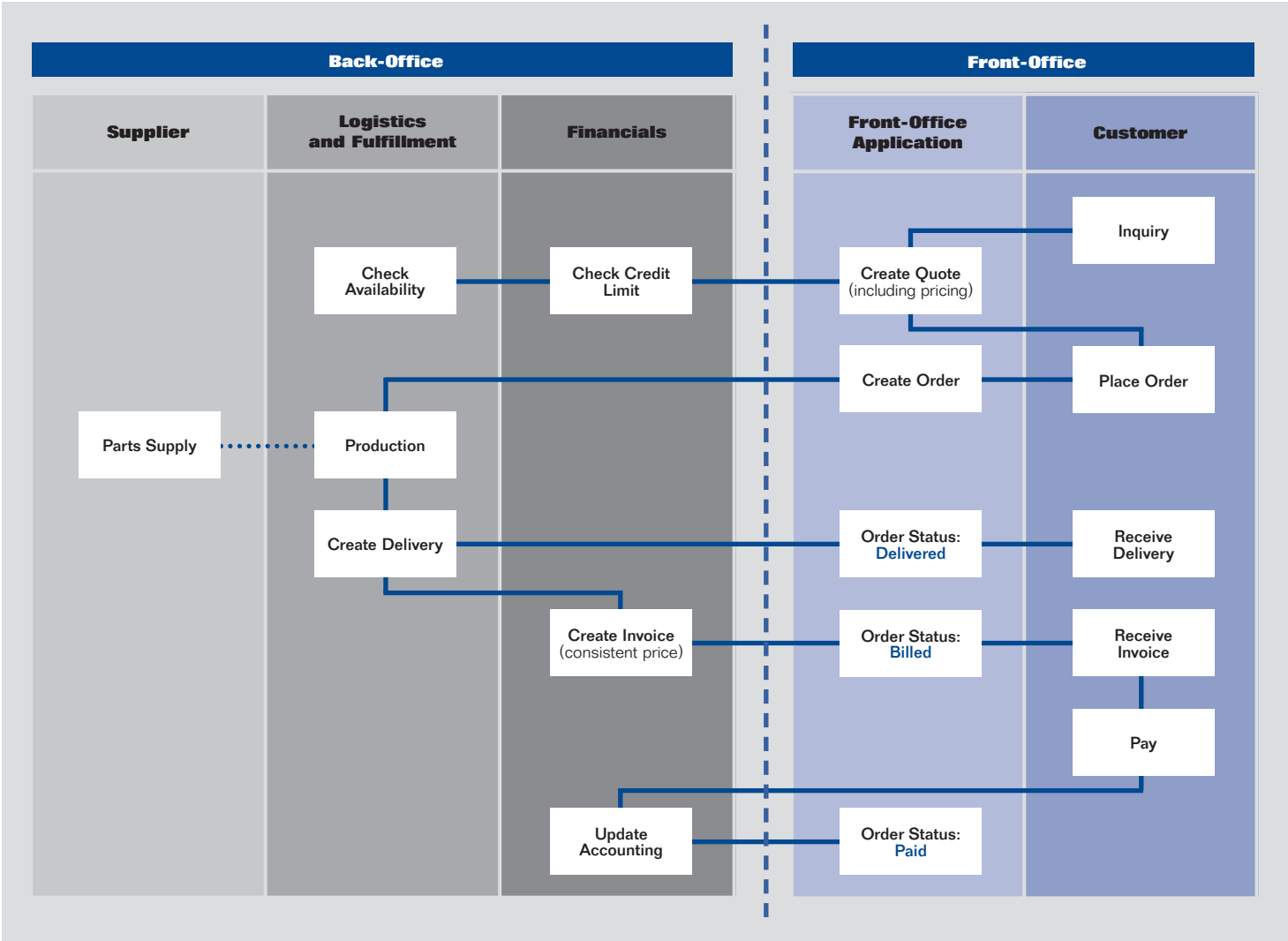


Figure 2: The End-to-End Order Management Process

Inaccurate forecasts – A company must consider the quality of the data being received and how synchronized the forecasters are with customers and market demand. For example, be leery of the global transportation carrier or manufacturer that does not know how much business their largest customers conduct because account information is scattered across dozens of customer databases.

Poor fulfillment – Poor fulfillment may occur because poor forecasts result in inadequate or incorrect inventory. Other reasons include manual order-entry error, production planners and schedulers not able to see into factory resources, or the distribution network is not integrated into the order management system.

Lack of collaboration – To many, the sales and operations planning process amounts to an exchange of spreadsheets. If developments similar to this are occurring at your business, then insist that the personnel involved in all relevant processes sit down at the table and have regular discussions on performance and how to resolve breakdowns in the end-to-end order management process. An excellent sales and operations planning process, supported by the right and accessible intelligence and IT infrastructure, is critical.

The Role of Value in Pricing Management

Whether it's accounting, field sales, or engineering, each company group has a different mind-set and incentives. Consequently, distrust among groups often creeps into the order management situation for two major reasons. First, the enterprise does not have a well-planned strategy for pricing and the attendant cost structure. Secondly, personnel lack sufficient customer and market information and analysis to create good product or service configurations or understand the cost structure to make sound pricing decisions.

If you don't know the relationship between your costs and prices and lack understanding of your customer, you can get demolished by someone who does. Market leaders like Wal-Mart and Dell built their companies around a low-price, good-service strategy supported by highly efficient cost structures. In the process, they wreaked havoc on gigantic but inefficient competitors who stumbled into a price war with them.

Such market leaders invest a great deal into learning about their customers and their markets and making that information available to personnel across the company. These leaders heavily base price on value, for which several quantitative and qualitative measures can come into play:

- Value of the current order and the cost to fill it
- Value of the customer segment in terms of demand, volume, and buying habits
- Value of the individual customer based on the history of purchases across all business units by products/services, volume, revenue, order profitability, credit, and complaints and returns
- Value of the customer over their lifetime, based on history, market leadership, and/or collaborative relationship
- Value of your company to the customer, how you differentiate, why they buy from you and work with you

At the transaction level, if your enterprise can't see the full cost element of an order across the management process (the cost waterfall) it may lose not only profits but also revenue opportunities. A simple example: a customer wants to buy 60 boxes of paper. Your sales person, knowing this is a partial load and shipping costs per box are higher than a full load, can up-sell by offering the customer a full load of 80 boxes at close to the same total price. Win-win.

Case in Point: Customer Intimacy

Lacking knowledge about the customer has been a rampant problem across industries, even among the most customer-centric organizations. A case in point is Waters Corporation, located in Milford, Mass., which has always prided itself on cultivating and retaining its customer relationships. Almost 30 years ago, Waters, the world leader in high-performance liquid chromatography, mass spectrometry, and thermal analysis products, developed its own innovative customer database system for its sales force so they would know the customer better than their competition. They recorded the quotation, the buying cycle, the customer's order, who made the decision, and what competitive equipment was in use.

The ensuing years of growth and acquisitions, however, resulted in 30 separate country information systems and no common standards. Manually rolling up customer information for forecasting and devising corporate strategies became extremely difficult and less reliable.

To sustain its leadership, Waters wanted to build a greater share of the customer by developing and supporting entire equipment and software systems. This required a far more granular understanding of its tens of thousands of customers and how to reach and serve them most effectively.

In 1998 Waters's business leaders devised a plan for a single global information system that would integrate customer relationship management (CRM), supply chain management, product life-cycle management, financial analysis, and human resources. Among the goals of the system is to have an online, worldwide master customer file and standard product catalogs to provide personnel visibility into information they need, including sales leads, promotions, customer profiles, configurations, quotations, orders, fulfillment status, and service contracts. To make service a differentiator rather than a cost item, Waters would enable all sales and marketing channels to present a single face to the customer. In a postsales scenario, it would provide real-time remote diagnostics for laboratory equipment and offer preventive maintenance contracts and guaranteed repair turnaround times.

The CRM results to date include increased revenue from early lead qualification and efficiency as well as online sales of products and service plans, rapid responses to customer inquiries, reduced sales cycle time, and faster and more accurate sales forecasting. The estimated internal rate of return on its investment of its suite of IT solutions was approximately 50% by the end of 2004.

As it relates to customer value, having an isolated or partial view of the customer is insufficient since every process and interaction touching the customer must be incorporated. It is not just the sales view. Having a complete enterprise analysis of the customer will enable you to determine whether a customer is negatively impacting your business with activities such as predominantly low-margin purchases, high product returns, large order backlogs, excessive disputed invoices, and frequent rush orders. Having that complete view also gives you the ability to decipher whether your company has legitimate order management issues or your customer is an unprofitable nuisance.

When determining overall value, it's important to consider your company's relationship with that customer. The few companies capable of calculating lifetime customer value often focus primarily on profitability, which sales personnel factor heavily into pricing, contracts, and prioritization. While profitability remains critical, this is an era in which success increasingly depends upon ongoing relationships with customers. For example, a customer collaborating on innovations in product design or demand forecasting and replenishment has value beyond the immediate profits of an order.

Product Configuration

Because of the increasing product complexity and the demand for customization, product and pricing configuring must be integrated into the lead-to-order process across all channels. For instance, in big-ticket discrete manufacturing arenas such as industrial machinery and complex testing equipment, it often costs manufacturers tens to hundreds of thousands of dollars to prepare a proposal. Companies that manually prepare complex configurations reported that at least half of their orders have errors, and for the largest firms, the cost to correct them can reach tens of millions of dollars annually.

It takes a team of sales, engineering, finance, and others to create the business rules and data standards for automated product and price configuring and its integration into the lead-to-order process. Once these rules and standards are implemented,

exceptional day-to-day results can occur, minimizing order errors and slashing the proposal development time for industrial systems from weeks to hours.

The Saga of Trade Promotions

The world has seen costly promotions failures, primarily because companies have failed to bring together and validate all the order elements in the management of deals and contracts. A startling example has been trade promotions in the consumer goods industry. As a necessary evil of competition, promotions historically have lost hundreds of billions of dollars, created endless arguments between manufacturer and retailer over the terms, and generated a host of unanswered questions about what trade promotions achieve.

What was wrong? Typically, poorly managed trade promotions, particularly when deals have been complex, unstructured, and recorded erroneously, result in huge billing errors, invoice deductions, and payment delays. Even if it is well managed, the disparate tools and methodologies used by different divisions can hinder visibility into performance and financial reporting at the highest level.

By all accounts, salespeople have spent about half their time managing the deals, while brand managers have spent a third of their time fighting fires and watching brand loyalty erode. Forward-buying as well as deal volatility and unpredictability have increased manufacturing and logistics costs. The retailers, because of forward-buying and special promotion packs, have increased their inventory and handling costs.

The trade promotion saga is about contract management gone wildly awry, and the consumer goods industry isn't alone. Contract management is a serious problem in many industries. FORTUNE 1000 companies typically have tens of thousands of contracts on file. Because they lack visibility into each document, they end up with unnecessary discounts, poor configurations, noncompliance with regulatory guidelines, erroneous payments, lengthy contract negotiation cycles, and renewal revenue losses.

Order to Cash

The goal of the order is to correctly quote, configure, check customer history and credit profile, construct terms and conditions, as well as deliver the perfect order and handle billing and claims to the customer's satisfaction as well as your enterprise.

Manual processes, poor integration, and the lack of collaboration and information can cripple the preorder processes. They affect each step of the order process itself: inquiry, quotation and order entry, order processing, order fulfillment, billing, and complaints and returns. Consequently, as the order process progresses, shortcomings in other major processes – finance, production, and distribution – come crashing into play.

The Sales Transactions: Inquiry, Quotation, Order

The sales transaction can begin with an inquiry from the customer asking for detailed information about the goods desired, their price and availability, and delivery. The customer receives a quotation, a legally binding offer to deliver in a specified time frame at a stated price. The sales order, the request from the customer, is then created from the inquiry, quotation, sales contract, or directly.

Very often, business customers and consumers will quickly truncate the order process if there are frustrating failures at any point. E-mail response systems frequently don't reply to inquiries on time, in context, or at all. Web sites often provide incomplete or erroneous information. Interaction centers are not armed with the right information to generate accurate orders. Field sales teams often lack online configuration ability or visibility into inventory and subsequently produce error-filled quotations. Consequently, the utter lack of uniform, quality service across channels can be costly.

Another basic requirement is to shorten the amount of time between the inquiry and order by presenting “one face to the customer.” This requires the following:

1. All customer interaction channels have access, and can share access, to the same complete customer information and on products and services from configuration and price to availability.
2. The necessary sales order information is entered once whether typed in by data entry personnel (via e-mail, Web site or intranet), by field sales (perhaps via laptops or PDAs), or by interaction center agents (employed by the enterprise, channel partners, or third parties).
3. All order-related information is then stored in one place accessible across the enterprise.

If you are lacking these capabilities, consider what you are missing. SAP's experience with its own customers has shown that having a single customer data source helped improve accuracy (and therefore more accurate quotations, orders, and prioritization) by as much as 50% to 60%. A single source of consistent product, pricing, contract, and configuration data has resulted in 20% to 30% reductions in order-entry errors.

Order Selection and Prioritization

Excellent order selection and prioritization can be your competitive edge and a blessing for good customers. That is why these functions and the people who execute them need to be linked to business strategy and the customer's value. Unfortunately, the order execution team – sales, customer service, production planning and execution, and distribution personnel – is often kept in the dark.

Relatively few companies are able to empower their people on the front lines with such knowledge and the ability to act on it. Inferior information systems are not capable of linking those frontline employees to the decision-making executives. These organizations lack the complete operational capabilities, integration, and the real-time enterprise intelligence their personnel need.

Production Scheduling and Fulfillment

The fulfillment process is becoming increasingly more complex. Different parts of an order may be created in different manufacturing plants and merged at another site, which increases the chance for the order to be dropped. Parts of the manufacturing process may be outside the enterprise, provided by suppliers, contract manufacturers, and distribution centers. Warehousing and transportation may be performed by a variety of providers. Fast, accurate fulfillment cannot be accomplished without superior coordination across the company and with its partners. The collaborative sales and order planning process again is critical.

These complexities obviously magnify the types of basic fulfillment problems and errors across enterprises that prevent the perfect order. When errors and breakdowns impact order deliveries, plant managers, sales, distribution, finance, and other personnel may not be able to quickly respond because they aren't alerted in real time.

Poor visibility, slower-than-acceptable response times, and other critical problems occur because the factory floor personnel, manufacturing execution processes, and business systems are not integrated. Such disconnects extend to partners. Parts suppliers may negatively impact deliveries because they are frequently providing substandard components that are not well tracked or communicated. Transportation carriers may cause delivery delays because the manufacturer is not collaborating well enough to share forecasts and production schedules and exceptions quickly.

Billing, Returns, and Claims

Key billing problems involve the contractual agreement, the bill itself, and returns and claims. Billing is often structured to serve the suppliers' needs, not the customers'. Customers don't pay their bills primarily because they either don't understand or agree with them. Their contracts may be neither well constructed nor integrated with the billing process. The billing system may be disconnected and barely associated with the returns and complaints system, which leads the customer on a mad chase for refunds or coherent explanations.

The semiconductor industry provides an enlightening example. Many customers buy chips in bulk and maintain the right to return defective chip batches, so it is mandatory that the contract be tied into the return system. By extension, billing is tied to the return system.

After Quote to Cash

Two of the most important postorder activities occur in post-sales and service: the management of the service life cycle and the unending effort to sustain and increase the lifetime value of the customer.

The Service Life Cycle

End-to-end order management is not completed with the bill or returns. If you are building your strategy and vision around raising the lifetime value of your customers, how you handle postsales and service is obviously critical.

Companies frequently miss an opportunity for greater revenues and significant profit because they are not sufficiently investing to improve service processes and supporting IT infrastructure. Historically, IT expenditures are made more toward products. Consequently, most companies lack the information infrastructure to realize the potential revenues and profits of service contracts or integrated product/service contracts and, secondly, contend with the rising expectations of their customers.

Consider this worst-case scenario. A customized refrigerator breaks down. The customer doesn't know the specifications, and the interaction center agent doesn't have access to the customer file or service contract. A repair agent drives out to check the problem and doesn't have the right parts. After finally making the repair, but not knowing if the refrigerator is under warranty or a service contract, the service employee does not bill it. The repair results are ultimately entered into a service file but they are not posted in the customer file or transmitted to engineering for their analysis of product failures. Engineering and design learns much too late that a customized widget fails regularly. The refrigerator is not under warranty and any margins on them are eroded by the cost to maintain this and other refrigerators.

While many companies are not so completely process-challenged, they typically have disconnects at many points, which can be costly in terms of customer loyalty, brand and product reputation, as well as service revenues.

Lifetime Value, Order Customization, and Integration

Collaborative efforts can help overcome supplier-customer power struggles and enhance the lifetime value of the relationship for both sides. For example, collaborative planning, forecasting, and replenishment initiatives are producing more accurate demand forecasts for consumer goods manufacturers and bolstering such retailer business models as everyday low pricing for the consumer. In many industries, getting closer to the customer is resulting in new product and service configurations that produce more revenue per order and engender greater loyalty.

Such customer intimacy is also enabling more and more order customization and better methods of providing services. Earlier, we emphasized that pricing strategies and cost structures have to be well aligned. Order customization has a profound impact on the cost structure, and the supply chain must be able to deliver without breaking the corporate bank. That invariably requires ongoing major improvements, including integrating major processes across the enterprise.

Today, many innovative companies are expanding their sights even beyond that. Case in point is Waters Corporation. As noted earlier, Waters recognized that delivering the perfect order was becoming extremely complex and created a cross-functional team to plan the creation of a single global information system that would integrate CRM, ERP, SCM, and product life-cycle management (PLM) solutions, linking processes from design to delivery and services.

END-TO-END ORDER MANAGEMENT REQUIREMENTS

The fundamental requirements for achieving customer-centric, end-to-end order management are clear and defined:

Achieving End-to-End Order Management	
Activity	Definition
Collaboration	■ Bringing together people of different professional backgrounds, responsibilities, and incentives to work continually on common goals – the customer's perfect order and the corporation's well-being ■ Supporting various teams with sales and operational-planning processes and technology
Operations	■ Improving and redesigning processes, including eliminating manual processes ■ Implementing excellent, integrated operational capabilities within the IT functions of each major function – sales, marketing and service, manufacturing, distribution, and finance ■ Being able to enable adaptability
End-to-End Integration	■ Electronically linking relevant processes and personnel across the enterprise
Intelligence	■ Creating single, unified master databases about customers, products, services, and orders ■ Leveraging role-specific dashboards to broadly disseminate relevant information, analytics, and workflow to all personnel involved in order management including sales force, forecasters, interaction center reps, field service workers, production planners, and factory floor managers
Adaptability	■ Enabling individual processes or subprocesses innovations or changes without impacting others in end-to-end order management

Collaboration

The most critical collaborative process is sales and operations planning, which translates demand data into an operational plan. This technologically requires seamless integration and access to data from sales, marketing, service, finance, production, and logistics. In demand-driven supply networks, in particular, the perfect order is dependent on excellent balance between forecast accuracy and what operations plans for sourcing, production, inventory, and distribution.

Software support for sales and operations planning should be tailored to the needs of your industry. Delivering the perfect order requires sharing information and performance metrics on every activity affecting the perfect order from promotion planning to price and contract management; and from production constraints and equipment maintenance to third-party logistics and final assembly.

Operations

The following capabilities are vital for optimum end-to-end order management:

Planning and Forecasting

Developing more accurate demand forecasts requires powerful planning and forecasting capabilities integrated into core processes for field sales, contract management, and performance analysis. Field sales must be able to collaborate with extended teams to generate sales forecasts that accurately reflect market realities and focus attention on high-value target customers.

Product Configuring

For companies that configure products or systems, it is important to have a consistent production model accessible across multiple channels and functions. If you produce complex products, such as industrial machinery, you particularly need a multilevel product configuration tool that provides sales with an easy-to-use tool to generate preliminary bills of materials based on customer specifications and provides engineering with a power-user version to create a detailed configuration for the final quotation.

Pricing Functionality

Make sure you have the pricing processes and technology capabilities that enable you to execute pricing strategies tailored to each customer and/or sales channel based on your selected criteria. Pricing rules and data must be maintained centrally, accessible by field sales and telesales professionals. In addition to price lists, your application should be able to handle pricing for promotions, specific customers, and contracts.

Contract Management

An integrated solution for the contract management life cycle coalesces and synchronizes customer information and rule-based contract development and pricing processes to create the hopefully perfect contract. From its centralized repository, this solution can make the terms available across the enterprise and throughout the quote-to-cash cycle. For complex configurations and orders, in particular, it should enable you to simulate contract scenarios to determine advantageous terms and help guide you through planning and negotiating. Standard templates facilitate contract development and the ability to handle various pricing and incentive choices correctly and indicate their impact on profitability.

Through audits and controls, such a solution should enable you to quickly settle disputes and minimize or stop overpayments, duplicate claims, and unusual return patterns. With a single contract repository, you can quickly analyze contract profitability and general trends, use strategic data for consolidated financial reporting, and ensure compliance with government regulations and commercial pricing programs.

Inquiry, Quotation, Order

Through integration with other order management applications, your quotation and order-entry processes and applications should ensure the following:

- Sales employees understand strategic sales priorities before entering orders
- Contract terms and conditions have been validated against pricing, configuring, credit, and availability information
- Customer has accurate information on all aspects of the order through any of your channels, including the systems of channel partners and self-service channels
- Personalized product offers and solutions are provided
- Personnel across the enterprise and your channels are provided with a single version of the order, from configuration and contract to service, throughout the order life cycle

Channel Synchronization

Channel synchronization is critical for customer satisfaction in the sales transaction processes. Sales and customer contact channels must present one face to the customer, and all automated response channels must be designed with the rules-based intelligence to either answer a customer's inquiry quickly and in context or to pass it on to the appropriate sales person or interaction agent with autosuggestions for a response. Channel synchronization improves your ability to provide excellent customer service throughout the order life cycle and more effectively promote products and increase cross-selling and up-selling by tailoring the sales and marketing message to the customer or customer segment.

Prioritization and Scheduling

Prioritization and scheduling requires that sales, service agents, and production schedulers have visibility into the order as needed, whether it's the contract, customer history and value, current inventory and available to promise, or recorded decisions on priority.

Billing

To ensure optimum billing functionality, you need to tailor invoices to the customer's needs, which creates the key abilities to separate totaled and itemized invoices; enable the customer to access and pay invoices online; and offer seamless links to contracts and returns and claims databases, reducing or resolving disputes quickly.

Returns and Claims

Returns and claims must be integrated into the mainstream order management process and enable you to monitor promised service- and customer-escalation levels proactively, provide customers with the current status of their complaints, and manage substitute deliveries.

Postsales Service

Your customer's product and service orders must be integrated throughout the order and service life cycles. Service life-cycle management itself should consist of these integrated processes: service sales and marketing, service contract management, customer service and support, installed base management, warranty and claims management, field service, depot repair, service parts management, and financial management.

End-to-End Integration

Contrary to past practices, end-to-end order management recognizes the connections that must be made among all the order activities and their data: pricing and configuring integrated with the lead-to-order process; contract management integrated with pricing, configuring, finance, and fulfillment; and billing linked to contracts and returns and claims.

CRM, SCM, ERP, PLM, and other related solutions must be in place and integrated to track and analyze the order life cycle from quote and order processing through production, logistics, and postsales service. Historically, that has been a costly, tortuous process, requiring development and maintenance of innumerable interfaces among disparate applications developed or purchased over the years. Today, the most realistic approach to achieving cost-effective integration is to implement an open technology platform that links your disparate applications and databases.

Intelligence

The requirements for intelligence include information, analytics, workflow, and the intuitive user interface designed to empower your organization and personnel. First, they need common and standards-based information sources on customers, products, services, and orders. Next, deep performance analysis is required, as well as the ability to issue alerts to events and exceptions that may impact the perfect order. The final primary intelligence requirement is the workflows that a manager may trigger to resolve the problem. For each person, the view and the communication is tailored to individual responsibilities and displayed through role-specific dashboards, mobile units, or handheld devices.

Particularly important CRM analytics measurements for the order process include the following:

- Customer lifetime value
- Product and service profitability, complaints, and cross-selling

- Sales planning and forecasting, quotations and orders, billing, and contracts
- Interaction channel analytics on interaction-center, channel, and partner performance

Finally, the order process, one by one and in aggregate, is measured against perfection. As a result, it is critical to deploy enterprise analytics that measure order management performance across every step of order fulfillment from quote to cash.

Adaptability

Among the critical requirements for adaptability is having an enterprise services architecture (ESA). ESA is a business-driven software architecture that gives you increased adaptability, flexibility, openness, and cost efficiency. Based on open standards,

enterprise services encapsulate enterprise functionality and provide it as a reusable service, which can also be connected and decoupled as needed with other services to meet new requirements.

To help achieve this, ESA requires a technology platform that enables integration across the enterprise, supports the creation of centralized customer order databases, and delivers data, analytics, and workflow to role-specific dashboards.

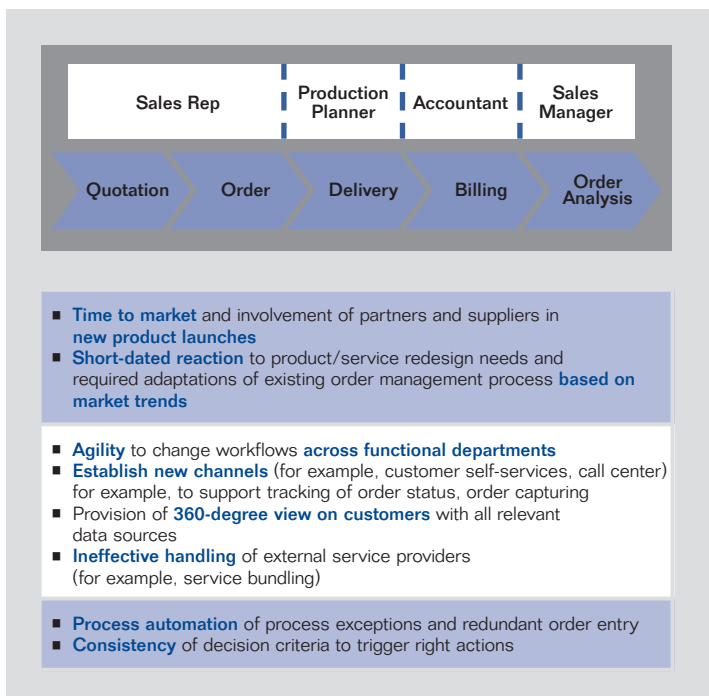


Figure 3: Business Challenges of Order Management

THE SAP® SOLUTION

SAP is a pioneer in developing solutions for the end-to-end management of critical business processes. The mySAP™ Customer Relationship Management (mySAP CRM) application offers an end-to-end order management solution that fulfills the fundamental requirements described above and also provides specific functionality tailored to the needs of 28 industries, including manufacturing, wholesale/retail, and service sectors.

mySAP CRM is designed to unite corporate sales and service strategies with the day-to-day effort to produce the perfect order for the customer. Through integration and empowerment, the solution provides personnel across all relevant functions with visibility into the order life cycle and the business rules and standards driving it.

Robust functionality for sales planning and analysis lets you target the right customers with the proper products and services. You can do the following:

- Align sales and demand-planning processes
- Ensure coordination between marketing and order-generation activities
- Analyze your most profitable customers, customer segments, and territories
- Monitor key performance indicators to increase revenue and profits and measure operational excellence

For order-to-cash and postsales and service, mySAP CRM integrates all activities and data, providing far-reaching impact across your organization. Your customers, for example, can obtain consistent, accurate information from any of your channels on products, services, and orders throughout the entire order life cycle.

Sales professionals, during the proposal process, can develop an accurate price and product configuration and test its suitability, tailor the order by understanding the customer's buying priorities, and optimize the customer's order through a cost and price waterfall analysis. Interaction center personnel, during the order process, can access customer orders and product configurations, available to promise, and service contracts. Automated response channels, such as e-mail, can check customer, order, and product information and rules-based responses to either reply to customer and prospect inquiries or to pass the inquiry, with an autosuggestion, on to the interaction center agent. Finance employees, during the billing and returns and claims processes, can obtain contracts and orders, customer history, and promotions. Financial analysts and price managers can source billing documents to analyze profits and pricing performance.

Field service staff are then able to access customer product configurations and service contracts and the spare parts inventory. Service managers can access one master customer system, which collects and analyzes data throughout the service process to determine service performance and customer propensity to need and buy new service offerings as well as products.

Business and pricing analysts can increase margins by identifying and improving the root causes of poor performance and developing a clear view of what drives profitability through SAP® Price and Margin Management by Vendavo.

Sales, marketing, finance, and other managers can monitor and have visibility into all processes involved in sales volume forecasting and trade promotions funding through the SAP Trade Promotion Management application.

Sales executives and corporate offices can obtain a complete view of customer buying patterns and profitability to detect hidden opportunities for future business growth through the SAP xApp™ Analytics composite application, which unifies sales data with financial, fulfillment, and inventory data.

Production planners, sales, finance, and others can access real-time production information or be alerted to factory floor exceptions that may impact deliveries through the SAP xApp Manufacturing Integration and Intelligence (SAP xMII) composite application. SAP xMII links real-time, plant-floor applications and business applications, including order management.

These capabilities not only require the functionality mySAP CRM provides but also, as noted, the technology and architecture for integration, intelligence, and adaptability that enables end-to-end order management that creates the perfect order.

SAP Integration

The robust and open SAP NetWeaver® platform integrates systems running SAP and non-SAP software, enabling you to exchange information and execute transactions as if they were a single system. Application-to-application and business-to-business processes are connected and managed by SAP NetWeaver. The platform also integrates front-end mobile activities with back-end business processes to support online connections. In short, your integration is managed by a single platform, rather than dozens of costly interfaces. As an extension of SAP NetWeaver, SAP xMII integrates the disparate factory floor systems with the rest of the enterprise.

Gaining Intelligence Through SAP Solutions

From the simplest report to the most complex data model, mySAP CRM powered by SAP NetWeaver is a full business intelligence platform, including all necessary analytical tools and functionalities. SAP NetWeaver helps in the development and operation of enterprise-wide data warehouses, including structured and unstructured information, and manages the distribution of data and workflow to applications and dashboards, to personnel in every function.

Because SAP NetWeaver enables you to aggregate master data into a centralized master data store, your personnel can search across linked systems and create unified analytics and reporting. SAP xApp Analytics differentiates itself through a highly effective 360-degree view into your customer processes, going beyond CRM into all relevant enterprise data located in front- and back-office systems. It is designed to be a part of all business processes and portal-based dashboards.

mySAP CRM provides a broad range of standard reports and analyses designed to extract insights from multiple channels. By integrating mySAP CRM with other enterprise level operations, such as supply chains, the analytical abilities expand to include business factors such as supply chain disruption on the other side of the world.

END-TO-END BENEFITS

As we have indicated throughout this white paper, end-to-end order management can help you achieve a higher perfect order rate and greater customer relationships. This improves your revenues, profitability, operating costs, order quality, and working capital. Based on estimates of time and money saved, individual SAP customers have reported the following results as they improved specific capabilities:

Increased Revenue, Decreased Stock-Outs

- 10% to 20% increases in cross-selling and up-selling rates, through holistic views of customer and product knowledge
- 10% to 30% increase in customer retention, through improved personalization capabilities, increased interaction consistency, and enhanced abilities to resolve issues and view order status
- 3% to 5% reduction in stock-outs through enhanced demand-planning and fulfillment processes
- Increased margin per product line through improved, integrated pricing processes

Reduced Operating Costs

- 10% to 20% reduction in average sales cycle time by automating lead-handling and sales-focused operations
- 10% to 20% reduction in order to delivery cycle time, by integrating order management with the supply chain

Improved Order Quality

- 20% to 30% reduction in order-entry errors, through consistent pricing, contract, and configuration data from single source, as well as one-stop order entry
- 50% to 60% increased customer data accuracy, due to single source of data

More Working Capital Provided

- 10% to 15% reduction in receivables and 10% to 25% reduction in day sales outstanding, through process automation, self-service processes, and better visibility into overall value of customers
- 1% to 5% increase in inventory turns, through enhanced insights into buying habits and trends and hence delivery of the right product to the right place at the right price

SUMMARY

Whether you are implementing, repairing, or optimizing your order management process, let the following quote shape your thinking.

“Every time an order is handled, the customer is handled. Every time an order sits unattended, the customer sits unattended. Every customer’s experience is determined by a company’s order cycle.”

End-to-end order management paves the road to the perfect order and better, longer relationships with your customers. Along that path, you are sure to see significantly improved revenues, profits, and operational efficiency. Deploying end-to-end order management solutions such as SAP NetWeaver and mySAP CRM will generate priceless value internally as a result of better understanding and improved communication and relationships between executives, who set the strategies, and the personnel throughout the enterprise, who execute.

To learn more about how SAP can help your organization with end-to-end order management, call your SAP representative today or visit us online at www.sap.com or call us at +1 888-727-2955.

www.sap.com/contactsap

